



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2322 (1980)  
July 12, 1991

SUBJECT: Phase I and Phase II Environmental Assessments  
Business and Industry Loan Programs

TO: State Directors

ATTN: Community and Business Programs Chiefs and Business  
and Industry Chiefs

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to provide guidance on obtaining Phase I and Phase II Environmental Assessments when determining the liquidation value of real property.

**COMPARISON WITH PREVIOUS AN:**

No previous AN has been issued on this subject.

**IMPLEMENTATION RESPONSIBILITIES:**

In liquidation cases, it is the responsibility of the Lender to obtain the maximum amount of proceeds from liquidation. In the liquidation plan submitted to the Farmers Home Administration (FmHA), the Lender provides an estimate of the current market and potential liquidation value of the collateral if the current principal balance, including accrued interest, is less than \$200,000. An appraisal report by a qualified independent appraiser is required on all collateral securing the loan when the current principal balance, including accrued interest, is in excess of \$200,000. The appraisal report is for the purpose of permitting the Lender and FmHA to determine the appropriate liquidation actions. FmHA Instruction 1980-E, Appendix G, paragraph VII (k)(16), allows FmHA to share equally with the Lender the fee for the appraisal report.

Phase I and Phase II Environmental Assessments are necessary when determining the liquidation value of real property as the assessment will provide an evaluation of potential environmental risks. Any potential environmental risk will directly affect the liquidation value of the collateral. Because of the significant impact an environmental risk may have on the collateral and the proposed method of liquidation, the cost of obtaining Phase I and Phase II Environmental Assessments may be treated as a part of the appraisal and the expense can be shared equally between FmHA and the Lender for loans which qualify for a shared appraisal.

EXPIRATION DATE: July 31, 1992

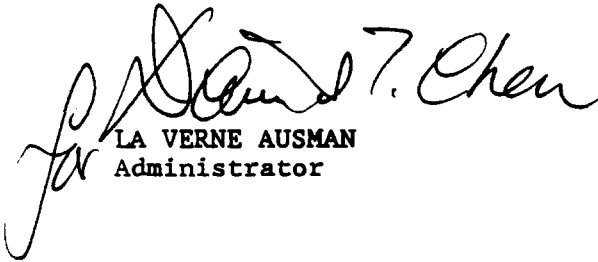
FILING INSTRUCTIONS: Preceding  
FmHA Instruction 1980-E



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

FmHA should encourage the Lender to complete the appropriate Phase I and Phase II Environmental Assessment. In the event the Lender refuses to complete the appropriate environmental assessment, FmHA can complete the assessment under its contracting authority.

If you have any questions on this issue, please contact the National Office Business and Industry Division at 475-4103.

LA VERNE AUSMAN  
Administrator